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THE NEW NEBRASKA REVENUE LAW.

The legislature of Nebraska at its last session enacted a complete new revenue law, which went into effect September 1, 1903. In nearly every other State which has adopted a new revenue code in recent years the measure has been the result of more or less thorough investigation by a revenue commission, and often based in whole or in part on a draft framed by such commissioners in the light of expert testimony. The Nebraska law-makers saw no necessity for a commission of this kind to advise what changes in the existing revenue system had become imperative, and set about the work of revision themselves, through a joint committee of the two houses. The previously existing revenue law was naturally the foundation on which the new structure had to be built. Yet the most potent factor influencing the committee's conclusions seems to have been the report of the Kansas State Tax Commission of 1901 and the bill therein incorporated, which was used as the chief guide in its deliberations. The outcome was peculiar. The recommendations of the Kansas Tax Commissioners, rejected by the Kansas legislature, have been accepted for the most part for Nebraska, and embodied in the new Nebraska revenue law.

It is needless to say that the chief issues joined in the legislature in the formulation of the bill were those relating to the assessment of railroads and other similar corporations. The railroad representatives invoked the recommendations in the Kansas report relating to these subjects, and careful comparison shows that the sections providing for assessment of railroad property are copied verbatim from the proposed Kansas act. When submitted to the legislature, the bill was sent to the regular committees in each house, suffering some amendment in various stages of its passage, but in all substantial parts remaining as drafted by the joint committee.

The new Nebraska law provides for a general property tax, pure and simple. Constitutional limitations leave no other method of taxation open. The article in the State constitution headed "Revenue and Finance" begins:—

The legislature shall provide such revenue as may be needful by levying a tax by valuation, so that every person and corporation shall pay a tax in proportion to his, her, or its property and franchises, the value to be ascertained in such manner as the legislature shall direct.

Passing other constitutional limitations for the present, it is obvious that the task of the law-makers consisted only in fabricating the machinery and outlining the procedure by which this mandate should be executed. Summarized, the salient features of the new law are:—

1. *Machinery of Taxation.*—The unit of assessment is made the county instead of the precinct, and the responsible officer the county assessor instead of the precinct assessor. The position of county assessor is newly created, with a four-year term, the incumbent being ineligible for a second successive term. The county assessor appoints his own deputies (subject to confirmation by the county board) who are employed only for such time as their services may be needed. The compensation for the county assessor is fixed on a sliding scale according to the population of the county; and he is removable by the county board for wilful neglect of duty, in which case the vacancy is filled as are the vacancies in other county offices.

The county board continues to be invested with powers as a board of equalization, and its authority is extended to include the functions of a board of review. Its session as a board of equalization must be held at a stated time annually. Appeals from its decisions lie to the district court at any time within twenty days, the questions involved to be heard as a suit in equity.

The State Board of Equalization and Assessment is likewise continued, although its composition is changed. It is to consist of the governor, auditor, treasurer, secretary of state, and commissioner of public lands, whereas for-

merly it included the three first named only. This board is to perform duties of original assessment with reference to certain kinds of property,—notably the property of railroads,—which reach beyond the jurisdiction of a single county. It meets as a board of assessment in May and as a board of equalization in July. Its powers of equalizing are to be carried out by ordering that a certain per cent. be added to or subtracted from the assessed valuation of the property of the particular counties that are undervalued or overvalued.

The assessment rolls, when completed, find a repository with the county clerks, while the collection of taxes devolves on the county treasurers, supplemented, in case of delinquency, by suits in distress or foreclosure brought by the county attorney through the usual legal channels.

2. *Property Taxable and Exempt.*—The property made taxable is all-inclusive, with the exception of that expressly exempted by the constitution, which includes only:—

(a) All property of State, counties, and municipal corporations.

(b) Property used exclusively for agricultural and horticultural societies, for schools, religious, cemetery, and charitable purposes.

(c) The increased value of lands by reason of fences and forest trees grown and cultivated thereon.

By express definition the term “real estate” is made to include “city and village lots and all other lands and all buildings, fixtures, improvements, mines, minerals, quarries, mineral springs and wells, oil and gas rights and privileges pertaining thereto,” and the term “personal property” to include “every tangible and intangible thing which is the subject of ownership and not real property as defined.”

All property is to be listed at its full valuation and assessed at 20 per cent. of such valuation. The object of the fractional assessment is to avoid changes in existing limitations on the various levies for general and special purposes, and the limitation on bond issues. The assessments under the old system had been scaled down, by

competitive evasion of the full value requirement, to from 15 to 25 per cent. of actual value.

3. *Assessment of Real Estate*.—Assessment of real estate is to be quadrennial instead of annual, as heretofore. It is within the province of the assessor, however, to add the valuation of new improvements from year to year, as they may be made, and to subtract the valuation of improvements removed or destroyed.

4. *Assessment of Personal Property*.—Personal property is to be listed under a schedule provided by the State Board of Equalization and Assessment, and sworn to by the responsible owner in possession. The schedule is to include everything from a sewing-machine to a bank credit, and the accompanying oath must declare under heavy penalties that no devious devices have been resorted to for temporary transfer of ownership. The property is to be listed at the situs of the owner, except where it appertains to a business establishment, in which case it follows the situs of the business.

The assessing period is from April 1 to June 1, this time having been selected with a special view to finding the farmer with his grain disposed of and his cattle herds at lowest point.

To cover certain classes of property calculated to offer extraordinary difficulties, special provision is made as follows:

(a) Banks are to be taxed on the value of their capital stock, the returns to be made by the officers of the bank and the taxes paid through the bank at its location. To get at the market value, an exhibit must be made, showing the various items of resources and liabilities, and the real estate or other tangible property already taxed, for which the bank is entitled to deductions.

(b) Insurance and Surety Companies. Foreign fire insurance companies are to be taxed on their gross premiums as property at the rate imposed on other property within the same jurisdiction; foreign life and accident insurance companies and foreign surety companies, 2 per cent. on their gross premiums, or receipts; domestic insurance and

surety companies, on their gross receipts, less expenses of reinsurance and cancellations, as an item of property at the rate imposed in the respective jurisdictions. These companies were previously taxed on net receipts only.

(c) Pedlers are subject to a graduated license tax.

(d) Pawn-brokers are to be taxed on the pledges in their possession the same as on their own property.

(e) Grain brokers are to be taxed on the average capital invested in their business, exclusive of real estate and tangible property otherwise taxed.

(f) Street railways, water-works, electric lighting plants, gas-works, natural gas, and all other lighting companies are to be taxed on the value of their property and franchises, based on the market value of their aggregate stocks and bonds.

(g) Express, telegraph, and telephone companies, and pipe lines, are to be taxed on their real estate and tangible property and on their franchises as represented by one year's gross receipts in each assessing district from which such revenue is derived.

(h) Railroad companies traversing more than one county are to be assessed by the State Board of Equalization and Assessment on the value of their property and franchises, full schedules being required from their officers showing mileage, road-bed, main and side tracks and accompanying improvements, rolling stock of various classes, amount of stocks and bonds issued and their market values. After the assessment of the road as a whole is determined, it is to be apportioned among the various counties according to the main line mileage, and reapportioned in the same manner by the county clerk to the various subdivisions within each county. In this way the railroads escape paying municipal taxes upon the larger part of their valuable terminal property in the different cities, the apportionment operating to transplant constructively the terminal values into the rural communities, where no municipal taxes are levied.

(i) Car companies operating stock cars, furniture cars,

refrigerator cars, fruit cars, tank cars, poultry cars, and the like (excepting sleeping-cars), are to be taxed on the valuation of the total number of cars required to make the total mileage of the cars of each company within the State within the period of one year. Sleeping-car companies, on the other hand, are to be taxed on a proportion of the value of the cars operated within the State in the ratio which the mileage traversed within the State bears to the total mileage for the yearly period.

Road tax is retained in the form of an exaction of labor to the value of \$3 from every male inhabitant between twenty-one and fifty years of age. This road tax may be commuted into a cash payment, and must be so commuted in incorporated cities and towns.

5. *Tax Levy*.—The tax levy is a composite of rates fixed by State and local authorities. The State Board of Equalization and Assessment is to determine the rate for State purposes, and certify the same to the various county clerks by August 1 of each year. On its last day of sitting as a board of equalization, the county board is to fix the rate for county, township, city, school district, precinct, village, road district, and other taxes required by law to be levied by it, each subject to statutory limitations. The authorities of cities, villages, townships, and districts authorized to levy taxes, except such cities as are authorized to levy and collect their own municipal taxes (which includes all the larger cities), must certify the amounts to the county clerk, who is to add them in with the State and county levies so as to make a single tax-rate for each district respectively. The taxes, when collected by the county treasurer, are to be distributed among the various funds for which they were levied in proportion to the number of mills credited to each fund.

The new law has already been adjudicated, so far as its constitutionality in general is concerned (*State of Nebraska v. City Tax Commissioner Fleming*—not yet reported). In this decision the Supreme Court of Nebraska, in an opinion rendered December 16, 1903, holds that the rule of uniformity

is not infringed in the sections attacked sufficiently to invalidate the entire statute. Its practical operation, therefore, which in a revenue law more than in most laws depends upon the honesty and impartiality of the administrative officers charged with its enforcement, will be tested first during the coming year.

VICTOR ROSEWATER.

OMAHA, NEBRASKA.

CAR SERVICE REFORM IN THE UNITED STATES.

The railroads of the United States have been experimenting since July 1, 1902, with a reform in car service which is of interest to students of transportation problems. This is the first time that any general and thorough attempt has been made to depart from the system by which a company whose cars are used by another, is compensated on the basis of mileage run.

The mileage system, which has been in operation until recently, has been very generally regarded as the chief cause of the decline in the promptness and celerity of movement of freight cars. Whatever the causes may be, the fact seems beyond question. While it is probably not true, as is often stated, that ordinary freight cars moved, on the average, 90 miles a day in 1870, a careful estimate shows that 50 miles would be no over-statement. On the other hand, estimates of the average daily movement of railroad-owned freight cars in recent years vary from 19 to 25 miles. At the same time there has been an increase in the proportion of empty to total mileage.

It is clear that under the mileage system adequate compensation has not been secured by the lending roads. An average daily movement of 24 miles for each car, with a compensation of 6 mills per mile, would yield a rental of 14.4 cents per day, or \$52.56 per year. The annual cost for repairing a car has alone been estimated at between \$40 and \$50. If interest and depreciation were added,